

**May 11, 2017**

### **Business Cycle Index**

The BCI at 224.1 above last week's 222.6, and for this Business Cycle it is at a new high as indicated by the BCIp at 100. The 6-month smoothed annualized growth BCIg at 16.1 is up from last week's 15.3.

No recession is signaled.

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**May 12, 2017**

### **Market Signals Summary:**

The MAC-US model is invested. Also invested is the "VMNFX vs. SPY Timer". The "3-mo Hi-Lo Index of the S&P500" may generate a sell signal soon. The monthly updated S&P500 Coppock indicator is also invested. The MAC-AU is also invested. The recession indicators COMP and iM-BCIg do not signal a recession. The bond market model avoids high beta (long) bonds, and a possible downward trend is emerging in the yield curve. Both the gold and silver Coppock models are invested, and the **iM-Gold Timer bought gold on 5/1/2017**.

### **Stock-markets:**

The [MAC-US](#) model generated a buy-signal 4/5/2016 and thus is invested in the stock-markets. The sell-spread (red graph) is below last week's level and has to fall below zero to signal a sell.

The [3-mo Hi-Lo Index](#) of the S&P500 is below last week's level and at 5.28% (last week 5.42%) and is in the market since 12/14/2016 when it crossed the 5% threshold. A sell signal may still be imminent after a loosing spell of the S&P 500.

The [VMNFX vs. SPY Timer](#) signaled an entry into the stock markets on 3/28/2016. For this model to exit the markets the indicator has to rise above the 2% trigger line, the indicator is near last week's level.

The MAC-AU model is invested in the markets after it generated a buy signal on March 21, 2016. The sell-spread is below last week's level and has to fall below zero to signal a sell. This model and its application is described in [MAC-Australia: A Moving Average Crossover System for Superannuation Asset Allocations](#).

### **Recession:**

Figure 3 shows the COMP below last week's level. No recession is indicated. COMP can be used for stock market exit timing as discussed in this article [The Use of Recession Indicators in Stock Market Timing](#).

Figure 3.1 shows the recession indicator iM-BCI<sub>g</sub> which is up from last week's level. An imminent recession is not signaled. Please also refer to the [BCI page](#)

The Forward Rate Ratio between the 2-year and 10-year U.S. Treasury yields (FRR2-10) is below previous week's level and far away from signalling a recession. A downward trend of the FRR2-10 seems to have set in again. A description of this indicator can be [found here](#).

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#### **Bond-market:**

The [BVR-model](#) avoids high beta bonds (long-bonds) and also intermediate duration bonds.

The Bond Value Ratio is shown in Fig 4. The BVR is below last week's level. According to the model, only when BVR turns upward after having been lower than the lower offset-line should one consider long bonds again.

#### **The Yield Curve:**

The [yield curve model](#) indicates the trend of the 10-year and 2-year Treasuries yield spread. Figure 5 charts (i10 – i2) showing showing an indeterminate trend. A buy FLAT signal was generated on 2/8/2017. FLAT and STPP are ETNs; STPP profits from a steepening yield curve and FLAT increases in value when the yield curve flattens. This model confirms the direction of the BVR.

#### **Gold:**

The modified Coppock Gold indicator shown in Fig 6. This model generated a new buy signal early November 2016 and is invested in gold. This indicator is described in [Is it Time to Buy Gold Again? – Wait for the buy signal .....](#)

The [iM GOLD-TIMER Rev-1](#) bought gold on 5/1/2017 and is invested in gold.

#### **Silver:**

The modified Coppock Silver indicator shown in Fig 7. This model generated a new buy signal late November 2016 and is invested in silver.

This indicator is described in [Silver – Better Than Gold: A Modified Coppock Indicator for Silver](#).

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## *Monthly Updates*

**May 5, 2017** (next update June 2, 2017)

### **Unemployment**

The unemployment rate recession model ([article link](#)), has been updated with the April UER of 4.4%. Based on the historic patterns of the unemployment rate indicators prior to recessions one can reasonably conclude that the U.S. economy is not likely to go into recession anytime soon. The growth rate UERg decreased to -7.81% (previous at -6.04%) and EMA spread of the UER is -0.26% (previous at -0.21)

Here is the link to [the full update](#).

### **The Dynamic Linearly Detrended Enhanced Aggregate Spread:**

The updated level of this indicator, -80-bps, confirms the January 20, 2017 signal. Based on past history a recession could start at the earliest in October 2017, but not later than May 2019. The average lead time to previous recessions provided by DAGS was 15 months which would indicate a recession start for April 2018.

### **Coppock Indicator for the S&P500**

The Coppock indicator for the S&P500 generated a sell signal end April 2017. This model is now in cash. This indicator is described [here](#).

### **CAPE-Cycle-ID**

Fig 9a depicts the CAPE-Cycle-ID and the year-on-year rate-of-change of the Shiller CAPE. A model using this indicator invests in the market when the Cycle-ID is +2 or 0, and when the Cycle-ID equals -2 the model is in cash. This indicator is described [here](#).

### **Trade Weighted USD**

The rise of the TW\$ value seems to be halted for now and seems to be steady.

### **TIAA Real Estate Account**

The 1-year rolling return for the end of last month is 4.34%. A sell signal is not imminent. [Read more ...](#)

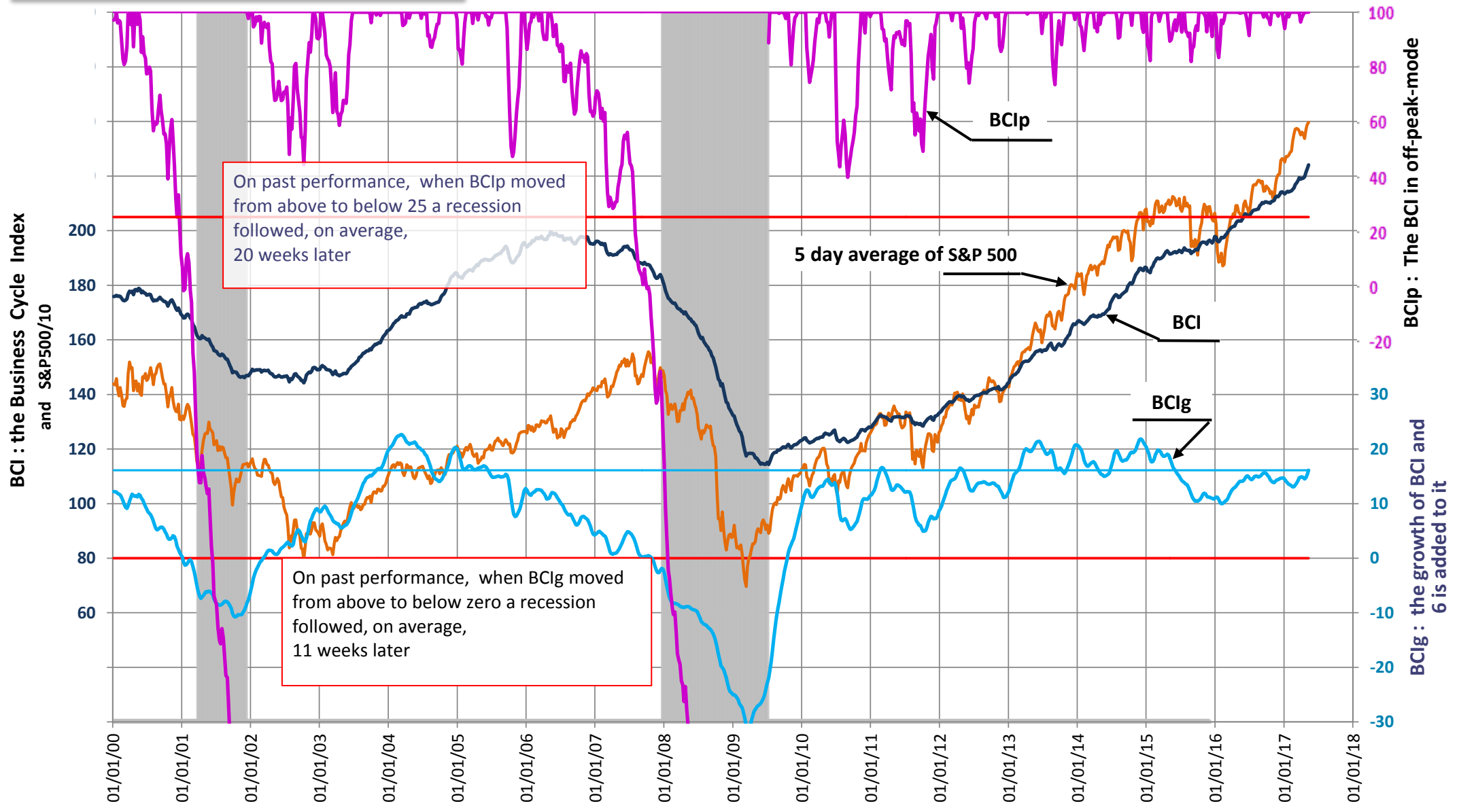


# iM's Business Cycle Index (BCI)

Date	04/13	04/20	04/27	05/04	05/11
BCIp	99.1	100.0	100.0	100.0	<b>100.0</b>
BCI	219.2	219.7	221.4	222.6	<b>224.1</b>
BCIg	14.8	14.5	14.8	15.3	<b>16.1</b>

BCIp, BCI and BCIG  
updated to May 11, 2017

On past performance, BCIp = 100 can be interpreted as an average one year "time-to-live" to a recession.



On past performance, when BCIp moved from above to below 25 a recession followed, on average, 20 weeks later

On past performance, when BCIG moved from above to below zero a recession followed, on average, 11 weeks later

BCI : the Business Cycle Index and S&P500/10

BCIp : The BCI in off-peak-mode  
BCIg : the growth of BCI and BCIG is added to it

5 day average of S&P 500

BCIp

BCI

BCIg

01/01/00 01/01/01 01/01/02 01/01/03 01/01/04 01/01/05 01/01/06 01/01/07 01/01/08 01/01/09 01/01/10 01/01/11 01/01/12 01/01/13 01/01/14 01/01/15 01/01/16 01/01/17 01/01/18

Please note: Past performance does not guarantee future returns, investments may increase or decrease in value and you may lose money using this model.

### Figure 2: Buy and Sell signals for S&P 500 2010-16 from the modified golden-cross MAC-System



updated to...5/11/17

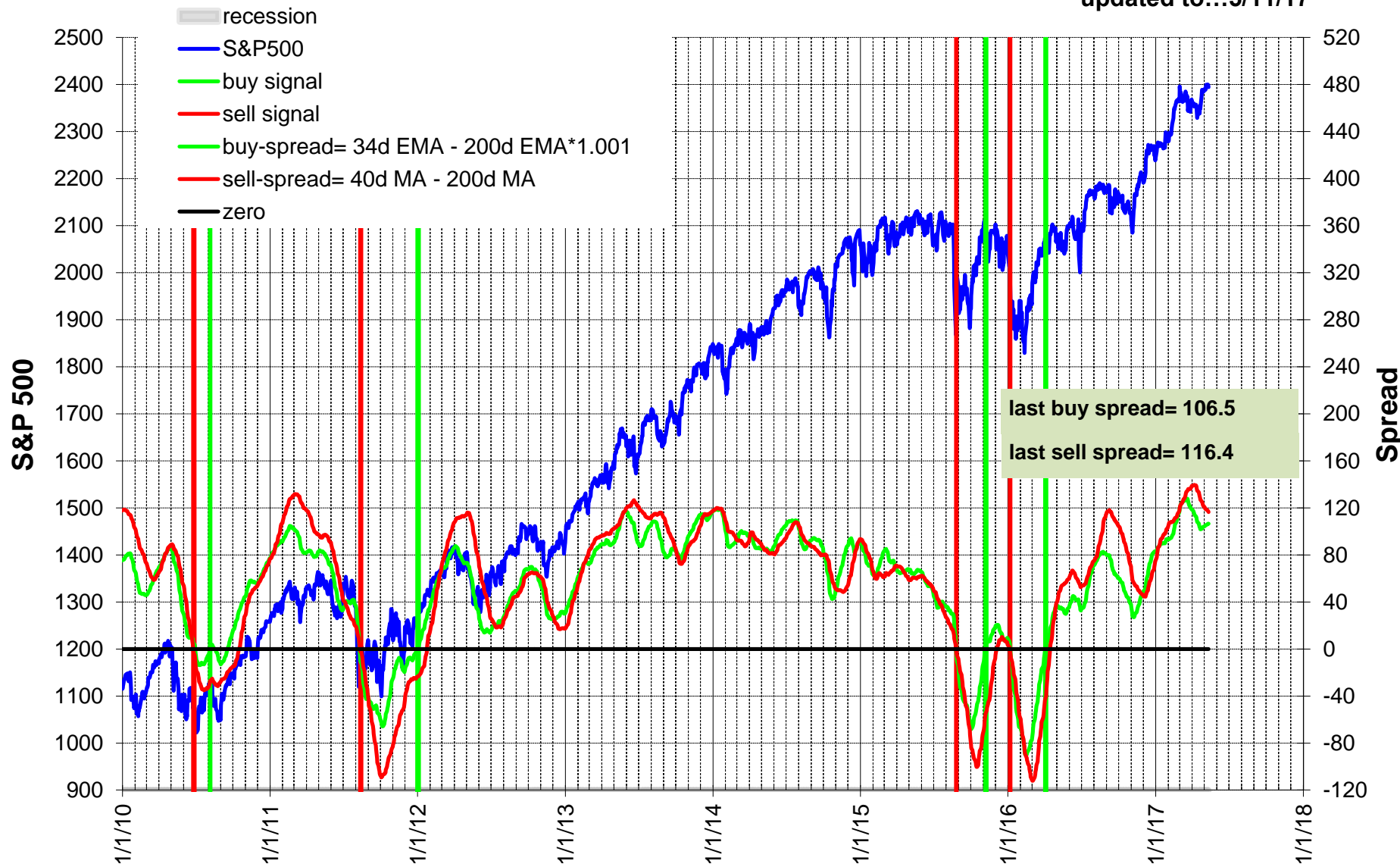


Fig 2.1: Buy and Sell signals for the Australia All Ordinaries Index from the MAC-AU System



updated to May-12-17  
last sell spread= 285.3

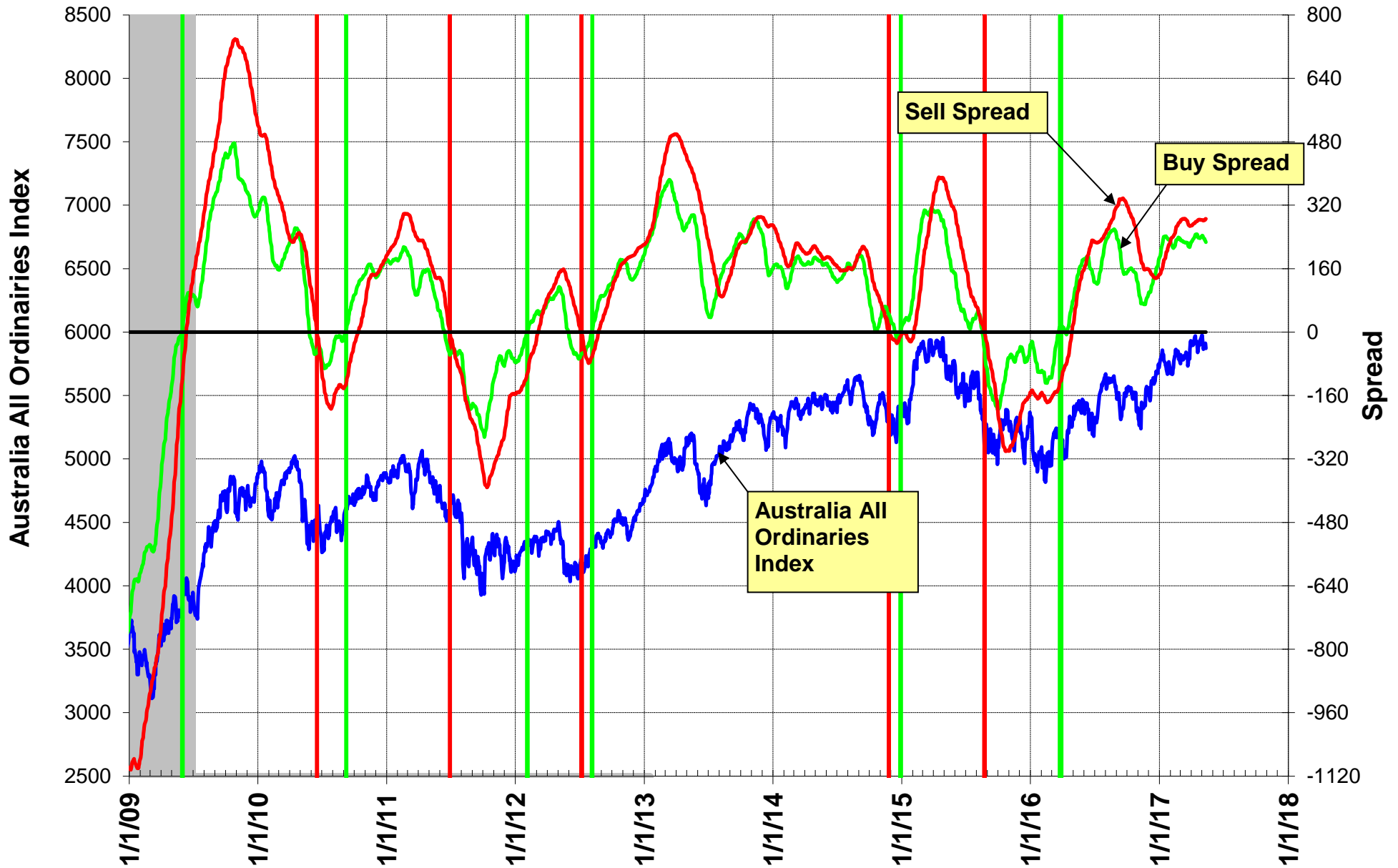
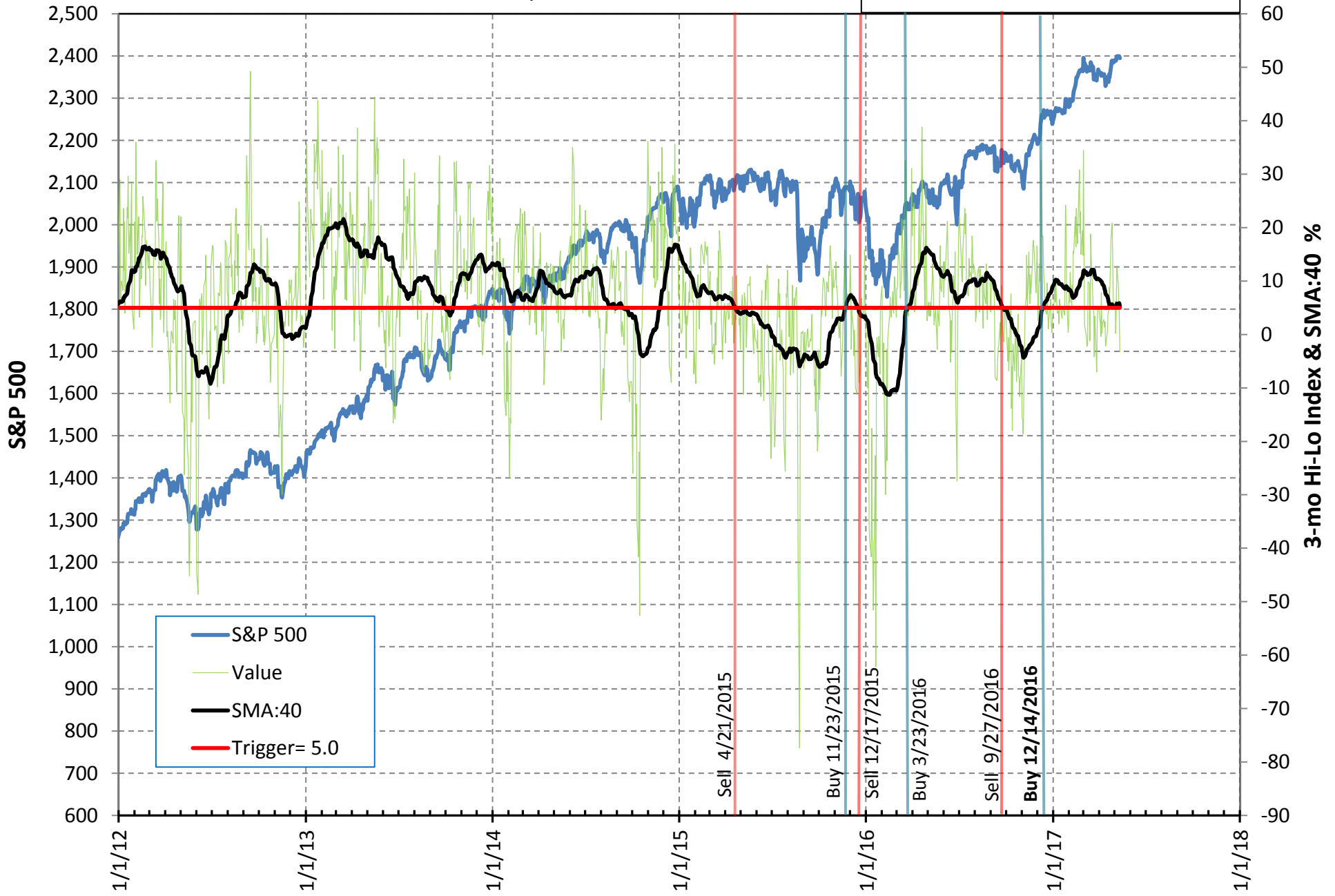


Fig 2.2 3-mo Hi-Lo Index of the S&P500 & 40-day SMA of Index

updated to 5/11/2017

last SMA:40= 5.28%



# Market Timer based on Performance of Vanguard Market Neutral Fund VMNFX vs. SPY

updated to 5/08/2017

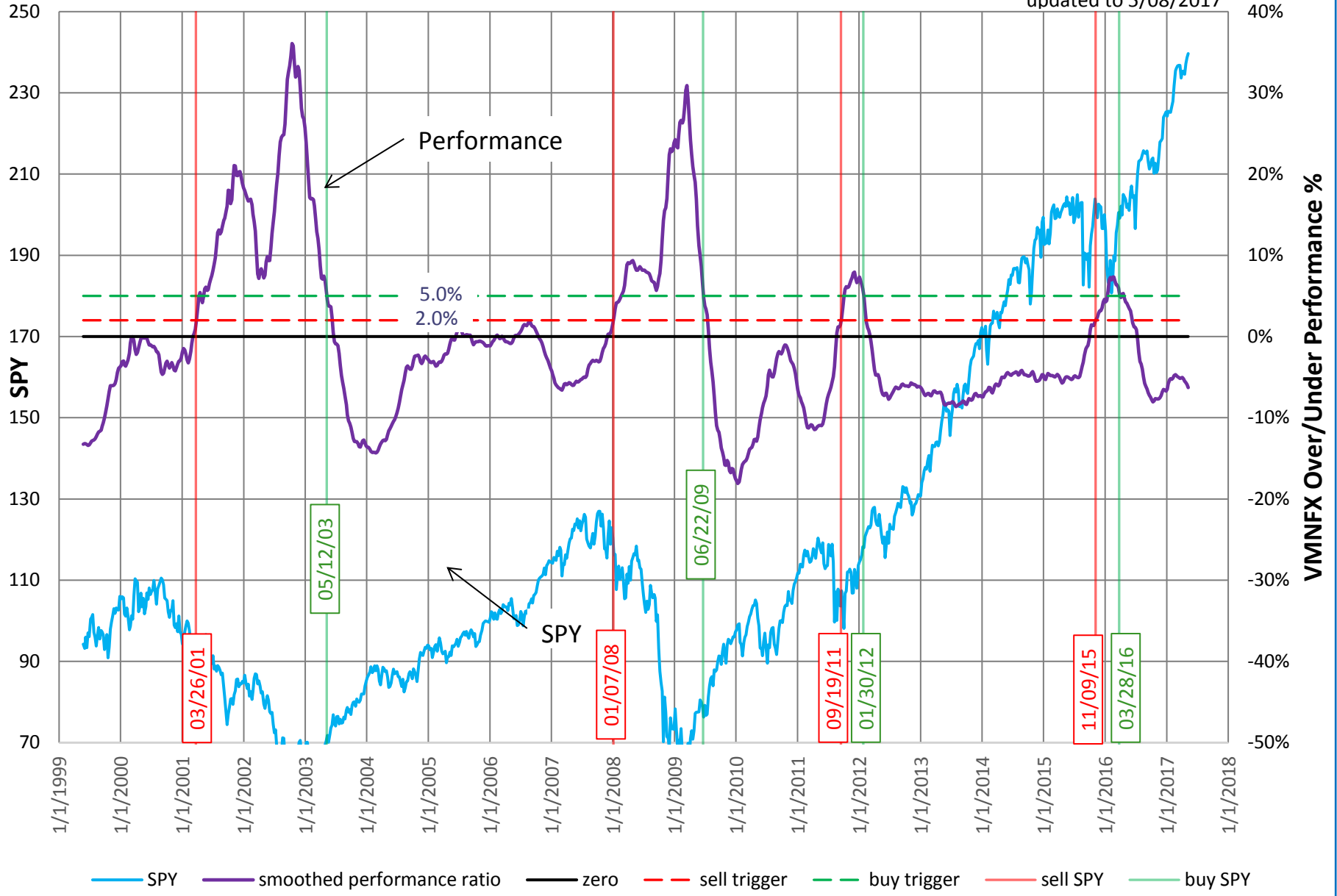
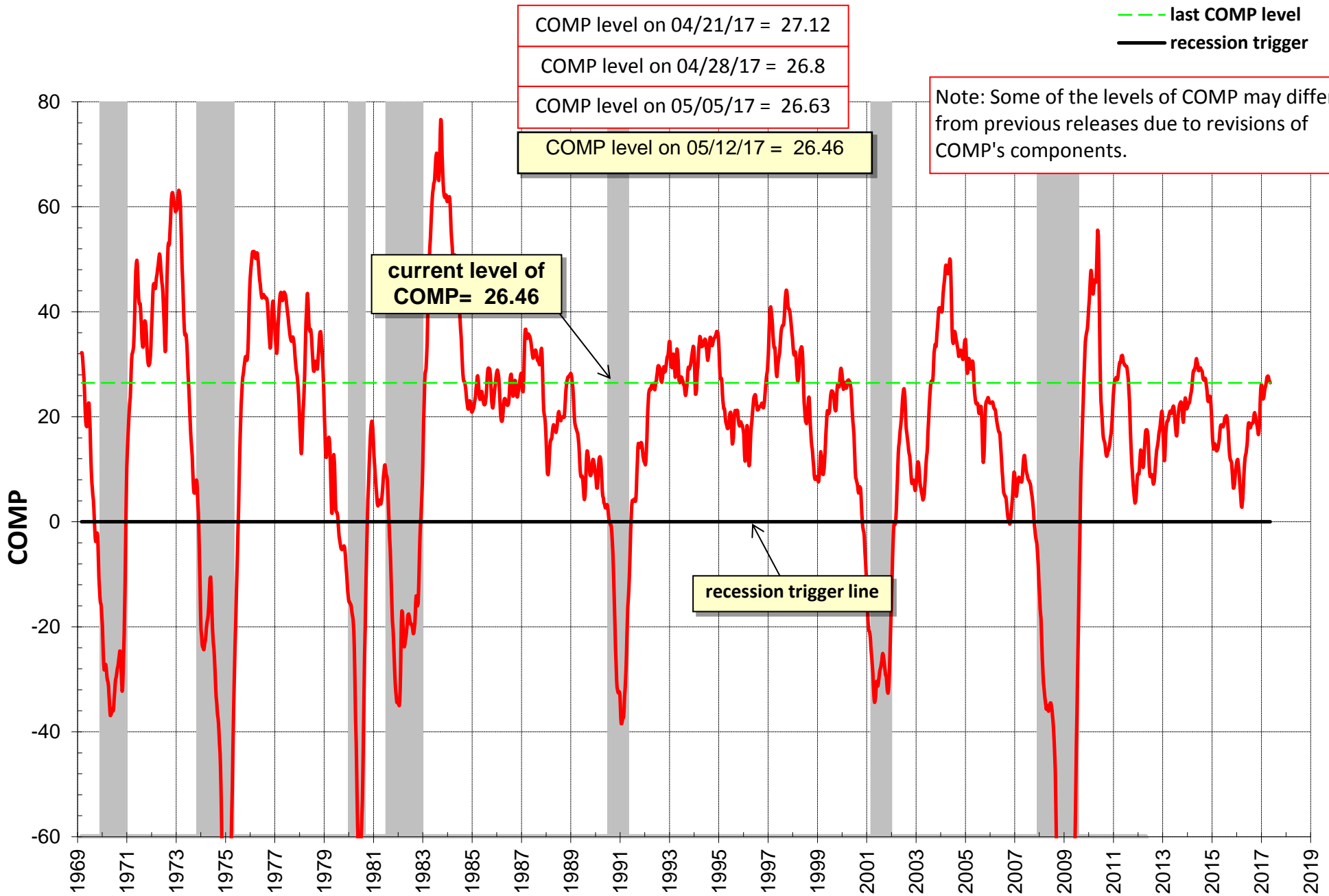


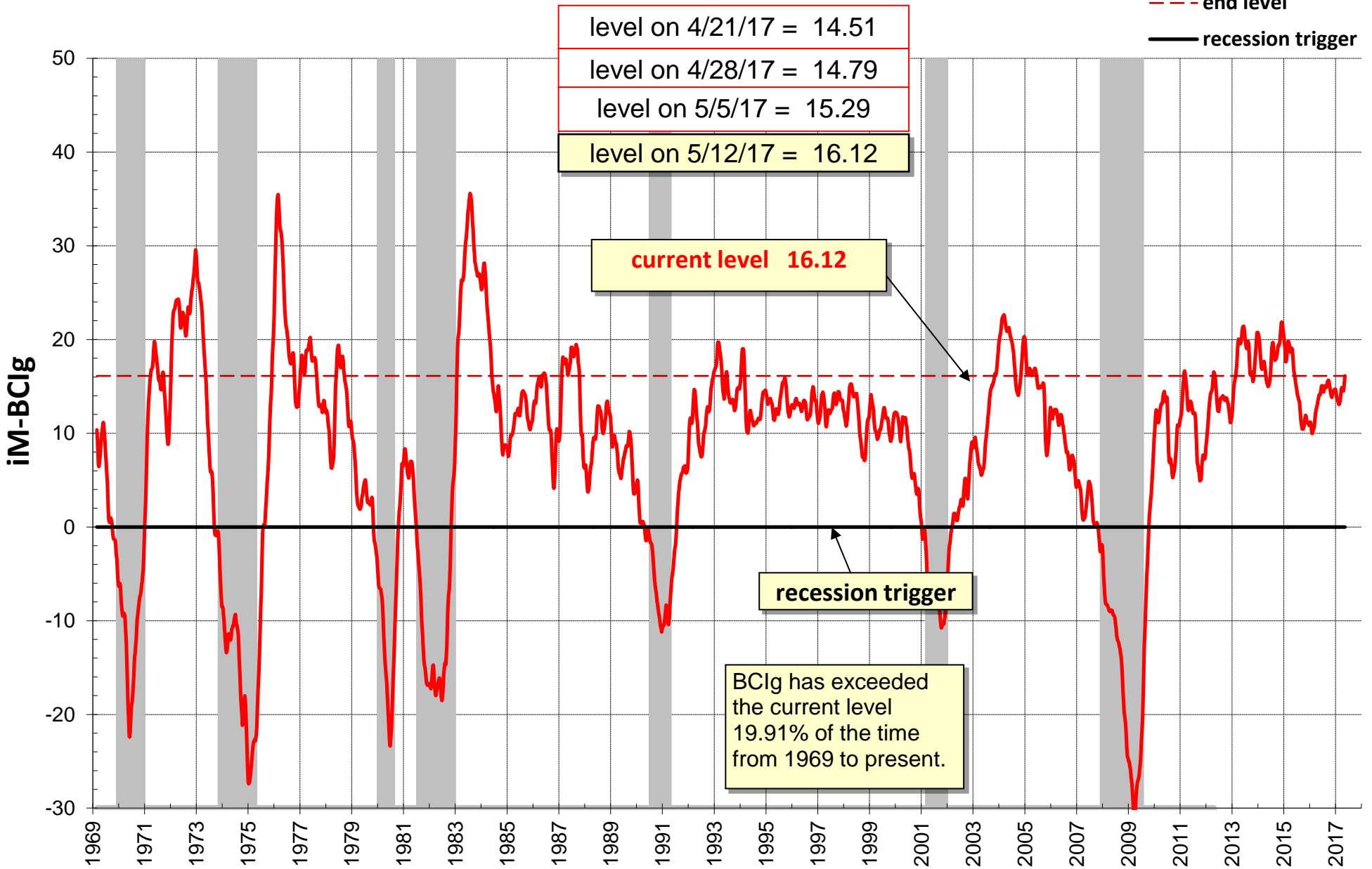
Fig. 3: COMP Leading Indicator of US Economy 1969-2016

- recession
- COMP
- last COMP level
- recession trigger



### Fig 3.1: iM-BCI<sub>g</sub> 1969-2016

- recession
- iM-BCI<sub>g</sub>
- end level
- recession trigger



**Figure 3.2: Forward Rate Ratio FRR2-10 - leads to Recessions**

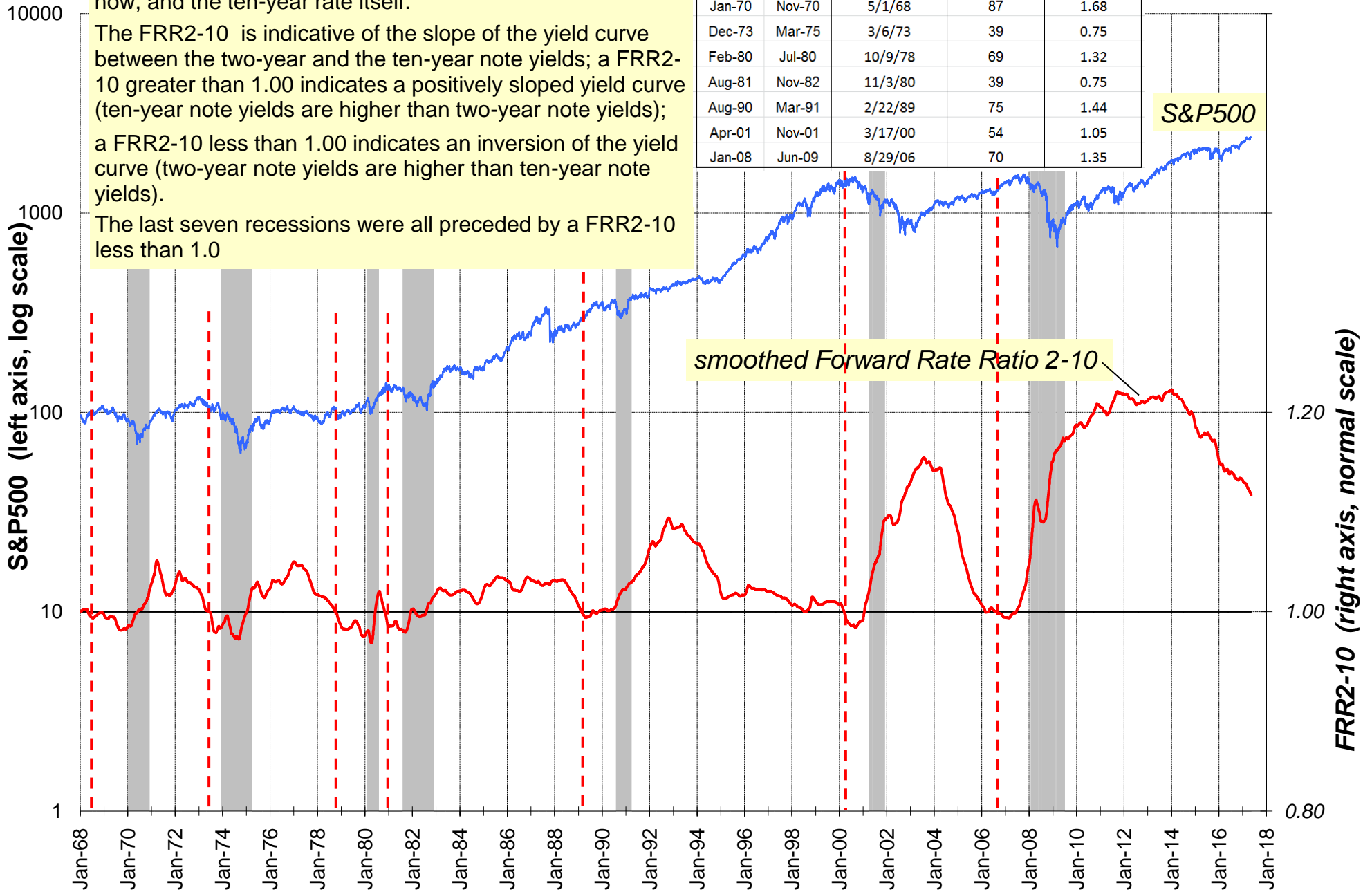
updated to 05/11/2017  
EMA of FRR2-10 = 1.12

FRR2-10 is the ratio of the rate at which one can lock in borrowing for the eight year period starting two years from now, and the ten-year rate itself.

The FRR2-10 is indicative of the slope of the yield curve between the two-year and the ten-year note yields; a FRR2-10 greater than 1.00 indicates a positively sloped yield curve (ten-year note yields are higher than two-year note yields); a FRR2-10 less than 1.00 indicates an inversion of the yield curve (two-year note yields are higher than ten-year note yields).

The last seven recessions were all preceded by a FRR2-10 less than 1.0

Recessions start	Recessions end	Date when EMA of FRR2-10 less than 1.0	Lead to Ression start (weeks)	Lead to Ression start (years)
Jan-70	Nov-70	5/1/68	87	1.68
Dec-73	Mar-75	3/6/73	39	0.75
Feb-80	Jul-80	10/9/78	69	1.32
Aug-81	Nov-82	11/3/80	39	0.75
Aug-90	Mar-91	2/22/89	75	1.44
Apr-01	Nov-01	3/17/00	54	1.05
Jan-08	Jun-09	8/29/06	70	1.35



### Figure 4: Bond Value Ratio (BVR) from 2005 to 2017

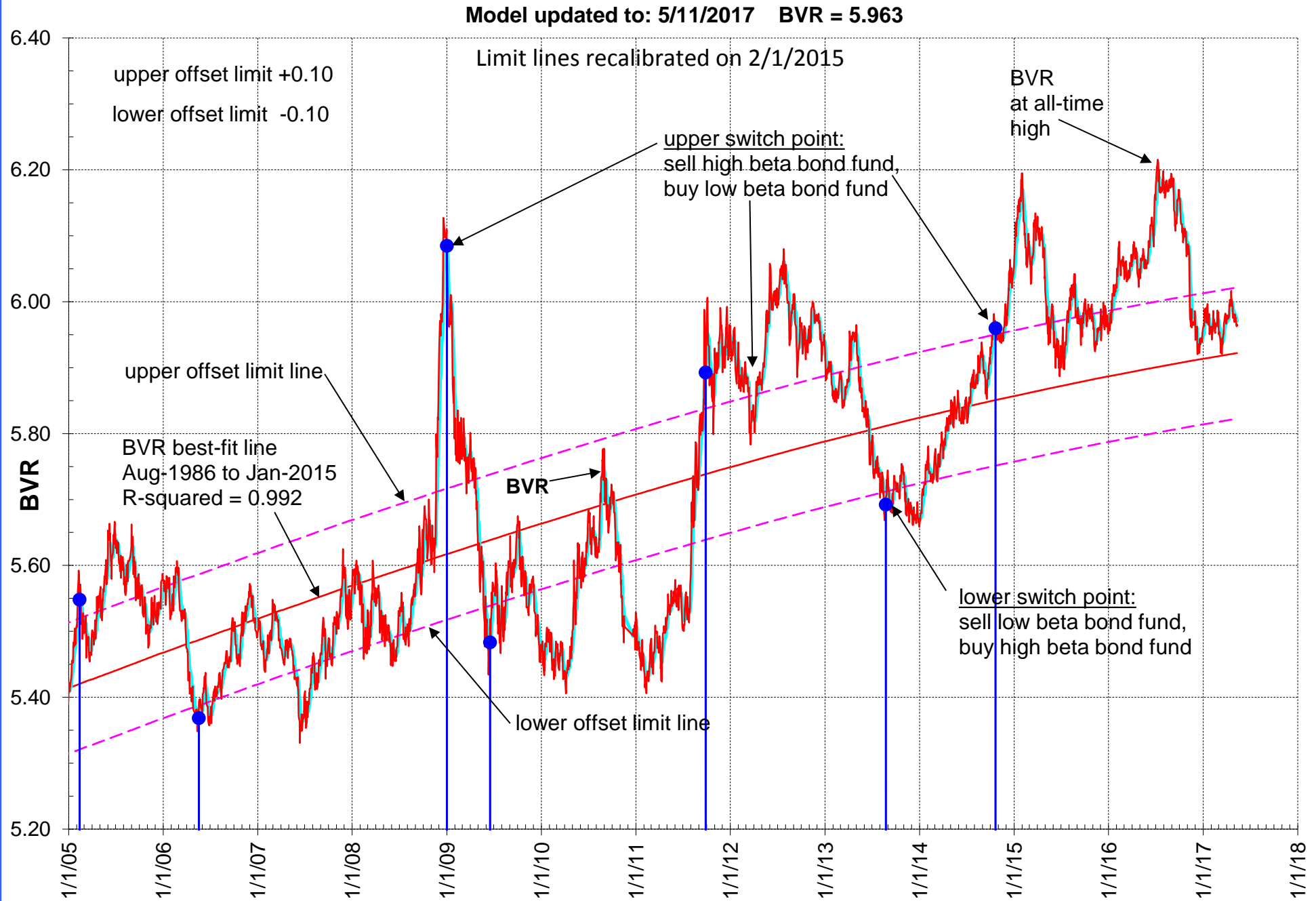
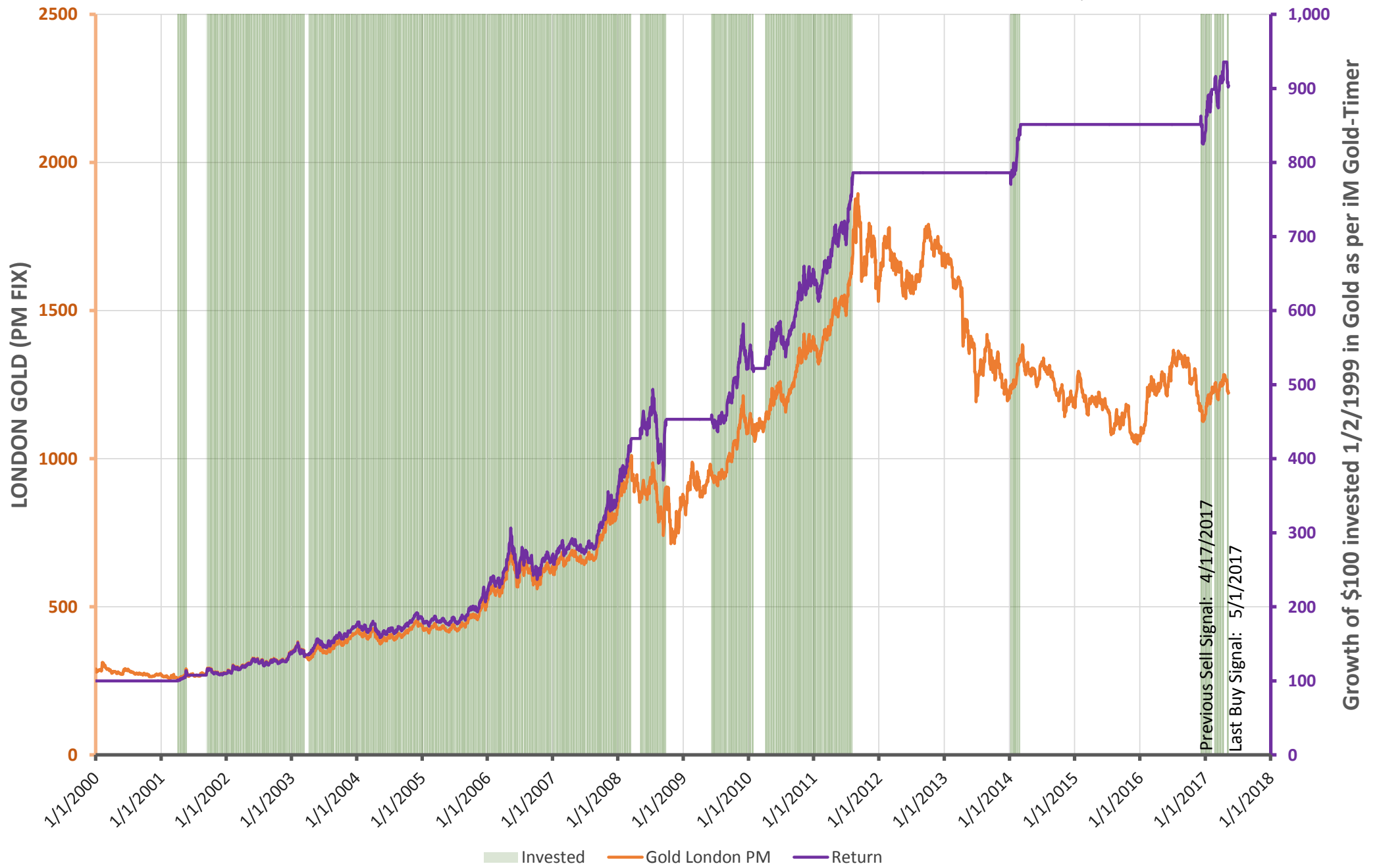


Figure 5:  $i10 - i2$  Updated to.....5/11/17



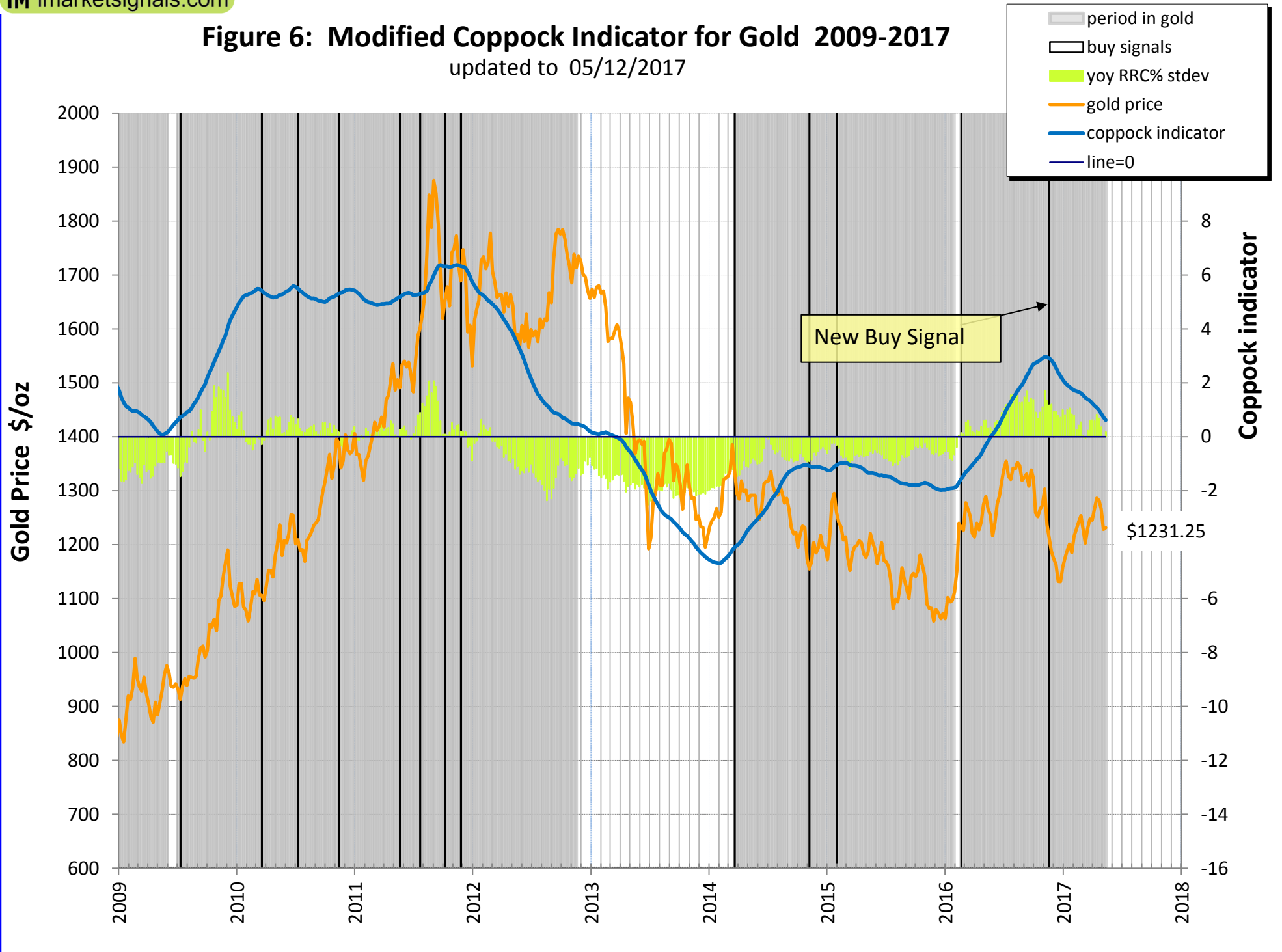
Fig. 6.1a iM GOLD-TIMER - Rev 1

Updated to: 5/11/2017



# Figure 6: Modified Coppock Indicator for Gold 2009-2017

updated to 05/12/2017



### Figure 7: Modified Coppock Indicator for Silver 2009-2017

updated to 05/12/2017

